

Podcast with Ida Rademacher of Aspen Institute Financial Security Program and Jamie Kalamarides of Prudential Group Insurance

***Note that transcripts may sometimes contain errors and that transcript timing notations do not match the posted podcast**

Speaker 1:	00:00:00	This call is being recorded.
Jo Ann Barefoot:	00:00:03	I am so delighted to say that my guests today are Ida Rademacher, from the Aspen Institute and Jamie Kalamarides, from the Prudential Group Insurance. I want to welcome you to the show.
Ida Rademacher:	00:00:19	Thanks Jo Ann, great to be here.
J. Kalamarides:	00:00:20	My pleasure.
Jo Ann Barefoot:	00:00:22	It's wonderful to have you here. Both of your organizations do so much important work, in consumer financial inclusion and financial health. I know that you've been working together on some really important initiatives, and research and thinking through how we can do better for financial consumers.
Jo Ann Barefoot:	00:00:43	I'm eager to plunge into the topic, but before we do that, let me ask you to just say a few words about yourself. What your role is. Probably everyone knows what your organizations do, but give us a moment on that. Just a little bit about the pathways that brought you to this work, a little bit about your background. Ida, you want to start?
Ida Rademacher:	00:01:08	Yeah, sure. I'm happy to. Yeah, Ida Rademacher. I am a Vice President at the Aspen Institute, and I lead the Financial Security Program at Aspen. For folks who don't know a lot about Aspen, it's been around as an institution for about 70 years. Tends to reinvent itself every decade or so.
Ida Rademacher:	00:01:30	The theme throughout is, where is a real safe, brave space for dialogue across sectors in this country, for conversations that really ensure how the country maintains an identity as a free, just, fair, equitable society?
Ida Rademacher:	00:01:47	Then my program in particular inside of Aspen focuses on, within that kind of context, what are the critical issues happening in terms of households and citizens' financial security and financial challenges, in the context of our financial system and our broader economic system?

Ida Rademacher: [00:02:09](#) As we understand what's happening for those households, how do we draw a through-line to what are the systems, both the market and policy solutions that can help to make sure that everybody is fully participating in the economy, and reaping rewards from doing so?

Ida Rademacher: [00:02:24](#) In particular in the financial services' realm, there's so much change going on there, that we feel like Aspen becomes a real important place to hold some of those conversations, and keep ourselves grounded and focus on solutions.

Jo Ann Barefoot: [00:02:39](#) That's interesting.

Ida Rademacher: [00:02:40](#) Then-

Jo Ann Barefoot: [00:02:41](#) Yeah, [crosstalk 00:02:42].

Ida Rademacher: [00:02:43](#) ... just a little bit about my background.

Jo Ann Barefoot: [00:02:44](#) Yeah.

Ida Rademacher: [00:02:45](#) I started out as an economic anthropologist, so I clearly couldn't make up my mind between wanting to be really on the ground, working with individuals in a social anthropology context, but understanding how people's risks and choices, play out within an economic and a market context.

Ida Rademacher: [00:03:04](#) In the days before behavioral economics, that was my solution, was to bring those two fields together. I've been finding applied ways to do research and policy translation ever since.

Jo Ann Barefoot: [00:03:16](#) Fantastic. You are ahead of your time in thinking about behavior and finance, good. Jamie, let's have you talk about you.

J. Kalamarides: [00:03:28](#) Yeah, so Prudential Financial, is a global insurance retirement and asset management organization. I lead our group insurance business as you mentioned, where we provide employee benefits to individuals after work and through their workplace. We serve small, medium and large-sized organizations, associations, governments and unions.

J. Kalamarides: [00:03:52](#) We help families and individuals, when they need it the most. When they have a disability or when someone loses their life, then we can provide support, and financial support to individuals through that process.

- J. Kalamarides: [00:04:07](#) Previously to this, leading the group insurance organization, I will add the 401(k) organization for Prudential, where we serve individuals through their workplace and helping them save and achieve a secure retirement.
- J. Kalamarides: [00:04:24](#) In combination, these two businesses focus really on delivering financial wellness to workers and their families. That's really the passion of mine. I've got this passion, because of my faith and upbringing and a focus on social justice.
- J. Kalamarides: [00:04:44](#) My whole career has been on, how do we get companies and industries to really deliver better results for the common good, within a commercial framework that is sustainable and can deliver the capital, and the innovation necessary to solve today's problems?
- J. Kalamarides: [00:05:06](#) Prudential allows us to do that, and delighted to be able to talk about some very specific items. I've also had the real pleasure, to work with the Aspen Institute for the last 10 years on a lot of these issues.
- J. Kalamarides: [00:05:22](#) That's where Ida and I have been working together. I'm also a Director of Prosperity now. I think a do-tank that's nonpartisan, focuses on building and sustaining the middle class in America.
- Jo Ann Barefoot: [00:05:37](#) That's great, I think on a do-tank, all of that. This is fantastic. We're going to talk about the problems that consumers have, that you all are focusing on, including income volatility and financial inclusion and so on.
- Jo Ann Barefoot: [00:05:55](#) Then we're going to talk about solutions that you can see. Before we do that, tell us a little bit about what you've been doing together, and why you have partnered on some of this work, either one.
- J. Kalamarides: [00:06:11](#) Yeah, I'm happy to go first. The reason why we partnered together is, the Aspen Institute, Ida mentioned this earlier, it does an amazing job at convening in a safe space, a whole variety of voices that normally don't talk together but are often working on the same issue. Academics, policy makers, regulators, industry, consumer advocates.
- J. Kalamarides: [00:06:41](#) By bringing together and convening these various voices, we can talk about and diagnose a problem, and sometimes exchange information on potential solutions in ways that are...

you can't do in any other form. I think the best example of that, is the House of Representatives just this week passed the Secure Act, the first retirement reform since 2006.

- J. Kalamarides: [00:07:12](#) This bill is going to increase access to retirement plans to millions of American workers, and really provide and enable lifetime income solutions, and a variety of other really important elements to help people have financial wellness.
- J. Kalamarides: [00:07:33](#) The core, the beginnings of this bill, started about 10 years ago at The Aspen Financial Security Program discussions. Where regulators and consumer advocates, and industry and academics, all got together and realized what some of the common approaches, that we could advance on a bipartisan basis.
- Jo Ann Barefoot: [00:07:57](#) Great. Ida, do you want to add anything to that?
- Ida Rademacher: [00:08:00](#) Yeah, I'm happy to. I mean, I think what I love about Aspen is that, everybody feels compelled to... in some ways, they get excited about being invited to a meeting or a conversation. A lot of times we create the groundwork for an emergent conversation, and we challenged people.
- Ida Rademacher: [00:08:25](#) We think that transformational change, around some of the big challenges we see in the financial security in America, we try to name those challenges based on evidence, so certainly coverage. It's a lot like healthcare was. Only about half of the workforce population, has access to retirement savings.
- Ida Rademacher: [00:08:44](#) That's one thing, income volatility. You mentioned consumer debt. Now, we work on a range of different issues, that we think are real financial pain points in people's lives. The solutions themselves that emerge, come from this kind of collaboration.
- Ida Rademacher: [00:09:01](#) That's bringing together of people who otherwise don't find themselves at the same table, from opposite sides of ideological spectrum, political spectrum. We remain pretty staunchly nonpartisan. We're really proud of our ability to have impact, without embracing any political agenda or piece of legislation, or party.
- Ida Rademacher: [00:09:23](#) There is something pretty phenomenal, about seeing leaders across industry rise to the challenge of converging around solving a problem, and realizing through getting to know each other, that they actually agree on 80% of things oftentimes.

Ida Rademacher: [00:09:39](#) Figuring out how to work together, is something that I think we have a light touch, but a long legacy of helping to create. Partnering... Prudential is one of the partners who we work with. We work with many... as Jamie said, many different industry and many different companies.

Ida Rademacher: [00:09:59](#) Many different mayors and governors, and treasurers and federal policy folks, and consumer advocates and grassroots organizations, and grasstops. Through all of that, it's pretty exciting and a real privilege, to see what can emerge from the kind of conversations that we set up.

Ida Rademacher: [00:10:18](#) Again, they're not just dialogue. To have a conversation, we fully expect when people leave the room, that they're going to take action based on their spheres of influence, and their leadership.

Jo Ann Barefoot: [00:10:30](#) I love that, our listeners have heard me say many times, that something I've figured out in recent years is that, this connecting up that you're doing across the silos, is not only where we'll get answers to complicated problems.

Jo Ann Barefoot: [00:10:47](#) It's also the key to speeding up, how we're answering complicated problems. We just need to be getting people into the same room. Getting them... as you said, motivated to actually do something together, as opposed to them staying inside their lanes [inaudible 00:11:02]. This is really exciting-

Ida Rademacher: [00:11:05](#) I watched you be such a seed of how innovation works. I think that... I'm guessing it's the very same starting point, right?

Jo Ann Barefoot: [00:11:11](#) It is.

Ida Rademacher: [00:11:11](#) Your innovating comes from these cross-sector pieces.

Jo Ann Barefoot: [00:11:13](#) Yeah, exactly. That's where the magic is. Everyone's talking these days about, how are we going to keep up with technology change? That's one of the answers. We could get different people in the room, who've got different tools to solve it. This is fantastic.

Jo Ann Barefoot: [00:11:29](#) You all are focusing on some of the really intractable problems, in consumers' financial health and wellbeing. Some of these are old problems, that we've never really been able to solve.

Jo Ann Barefoot: [00:11:42](#) Some of them are getting worse in our modern economy. Tell me where you want to start, in talking about the key problems that you're seeing, and that you've been setting out to figure out how to solve in a new way.

Ida Rademacher: [00:11:57](#) Well, I can start Jamie, is that good for you?

Jo Ann Barefoot: [00:12:00](#) Yes.

Ida Rademacher: [00:12:01](#) I'll lay a little bit of our groundwork, because I do think that, it is leadership. Companies like PRU, who are pretty open to thinking about new ways to address challenges. That gave us the ability to be expansive, when I kind of rebooted the Financial Security Program four years ago. We had been a program, that works specifically on retirement savings issues.

Ida Rademacher: [00:12:27](#) When I came in to Aspen, part of my own sense of what needed to change and who needed to be talking to who? Where there was all of this emerging research on what was going on, to change people's financial choices and levels of security in the short term, right?

Ida Rademacher: [00:12:49](#) None of those people were talking to the retirement industry folks, who were really set up to solve people's long-term financial security challenges. For us, not only was it starting to say, "I think that there's really four big things, that have been changing for consumers over the last 20 years."

Ida Rademacher: [00:13:06](#) We know that incomes have been relatively stagnant, but what we didn't know a lot about was that within that average flatness, there was a lot of month-to-month and week-to-week volatility of both income and expense shocks. Those two things were happening at the same time.

Ida Rademacher: [00:13:25](#) Stagnant wages and increasing income volatility, combined with growing levels of consumer debt and muted levels of savings. When you look at all of that together, and we look at the dimensions and drivers of each piece of that.

Ida Rademacher: [00:13:42](#) Then part of the solutions to our point of view, was trying to bring together people who were trying to solve different facets, of those financial challenges in silos. What's been really great about the partnership with Prudential, we were doing for the last three years.

- Ida Rademacher: [00:13:58](#) They were a key supporter of our reconnecting work and wealth initiative, was really kind of being together. What was changing in labor markets for consumers and financial markets? How do you kind of connect the dots all the way through, to create short and long-term financial security?
- Ida Rademacher: [00:14:13](#) That's really where we've been working in. I think that's where a lot of the exciting new... both research and solutions are coming into there.
- Jo Ann Barefoot: [00:14:19](#) That's great-
- J. Kalamarides: [00:14:22](#) Just piling onto that. As I had said, originally the work that we had done with Aspen and that we had been working on, was about access to retirement plans. We've made great progress. As I mentioned earlier, the House has passed, hopefully the Senate will, the Secure Act.
- J. Kalamarides: [00:14:40](#) As Ida said, the sort of emerging needs that everyone is coalescing around, is this need for, how do we solve income volatility and the need for soon savings? That is, I've got this unexpected expense or this unexpected decline in my income. If I can for just a moment... we had almost a perfect laboratory experiment happen this last year.
- J. Kalamarides: [00:15:11](#) It affected all the federal workers, who didn't get their paychecks for several pay periods. That's not a great outcome. Prudential went out and surveyed these folks during the time period, and we discovered something. We had a distinct group of individuals, who were all experiencing the same financial shock at the same time.
- J. Kalamarides: [00:15:35](#) We could compare them against the general public at the same time, and we found out some fascinating things. We found out that almost 90%, said their household finances were severely affected. 5 in 10 fell behind in paying their bills.
- J. Kalamarides: [00:15:54](#) 62% said they depleted all or most of their emergency savings. 42% had to take on debt. That was just a month and a half, of not having a paycheck. It reinforced what we know from Prosperity now, that well over 40% of Americans don't have enough liquid assets savings, to cover three months of expenses at the poverty level.

J. Kalamarides: [00:16:25](#) What we're finding is, the consumers, the individuals and families can't suffer a financial shock very well. They need solutions to help them, for that unexpected expense or that unexpected dip in volatility. That's where some of the neat innovation has been developing. Both, how do we reuse old solutions? Also, bring forward solutions.

Jo Ann Barefoot: [00:16:57](#) Fantastic. I'll also link in the show notes to the couple of the shows, that we've done with kind of PRU financial services innovation, that touches on some of these volatility topics. I think most of our listeners know I chair the board of CFSI. CFSI has just [crosstalk 00:17:16]

Ida Rademacher: [00:17:16](#) Have [crosstalk 00:17:16] Financial Health Network.

Jo Ann Barefoot: [00:17:17](#) Thank you so much.

Ida Rademacher: [00:17:18](#) Yeah.

Jo Ann Barefoot: [00:17:18](#) Just what I was going to say. We've just renamed and rebranded, as the Financial Health Network, so watch for that. I know both of your organizations, have had lots of relationships in that community working together. These issues of volatility, that is such a key insight that didn't use to be front and center in public policy, not that long ago.

Jo Ann Barefoot: [00:17:43](#) We tend to work with medians and averages, as in sell-ons that are losing the fact that at individual level, there're so many people whose problem is more the timing of their expenses and their income, than the absolute level of income. This is wonderful. What should we do about this then? What are the solutions?

Ida Rademacher: [00:18:07](#) Yeah, I mean, I looked at a couple of things. Oh, sorry, go ahead Jamie.

J. Kalamarides: [00:18:10](#) No, please. You were started, go ahead Ida.

Ida Rademacher: [00:18:13](#) Yeah, well, I'll say one thing Jo Ann, that I really think we can get into some ways is, because so much of your own focus is on technology. I think that this volatility conversation is an interesting one, both in terms of how technology has helped... in some ways, how it's created or exacerbated the problem of volatility, but also how I can solve it.

- Ida Rademacher: [00:18:41](#) For us, when we looked through our EPIC project, which stands for the expanding Prosperity Impact Collaboratives, but I just like the acronym EPIC. We take two years at a time, and really tackle one of these finest challenges. We look at both, what do we actually know about the dimensions and drivers of the problem?
- Ida Rademacher: [00:19:01](#) Then we really do focus on a solutions' framework. How do you help people across their leadership spheres, think about solving that problem? Then we really drill down onto, well, what are three or four other solutions, that if we could get them right, really do address this problem for millions of people?
- Ida Rademacher: [00:19:20](#) The income volatility was the first thing we focused on. Interestingly, most of the volatility is within job volatility. It's, what's changing about employment? A lot of that comes from scheduling predictable work schedules. It's interesting that it's a financial challenge, that it manifests as a financial challenge for individuals.
- Ida Rademacher: [00:19:41](#) The starting point is somewhat the structure of work. A lot of the new algorithms and scheduling software, in some ways was just given one mandate as it got evolved. Which was, how do you solve the problem of scheduling for the business? The reality is that, you can't core-solve with that, the scheduling problems for businesses and workers.
- Ida Rademacher: [00:20:11](#) Stable employment is one piece of a solution to income volatility. The social safety net itself is another piece, I think where technology really is important. What we have is a social safety net, that is not set up at all, for how do you help households manage volatility? These are, they often look at averages over months and months, in terms of how do you get food stamps?
- Ida Rademacher: [00:20:33](#) Or what would you do in that space? In fact, these things can change weekly. Then the third piece of this really, is in terms of the financial services realm, liquidity. How do people help people create their own buffer stocks? I think there is a piece of technology in that space as well.
- Ida Rademacher: [00:20:49](#) We actually see three interlocking rings for solving income volatility, which is, what do you do in terms of employment? What do you think about in terms of the safety net and

liquidity? I would say, maybe Jamie, this is... to punt it over to you, it's not just the social safety net.

- Ida Rademacher: [00:21:03](#) I think that this is where the evolution of benefits lay large, really come into play. Both the kind of benefits that companies and employers think about, but also the ones that government should be thinking about.
- J. Kalamarides: [00:21:16](#) Yeah, and Ida, I think the framing that you've just described is exactly right. Those three sort of... those three domains. We have to start with the social safety net. Both the solutions that it provides, but also the misperceptions that the people have of it.
- J. Kalamarides: [00:21:35](#) The first is social security disability income. A great program, a fabulous social safety net, but it only kicks in once you have been deemed permanently disabled. To get to that stage, takes 18 to 48 months of time. You're not covered if you have an unexpected disability, and that impacts your financial income during that period.
- J. Kalamarides: [00:22:06](#) Disability is not something that is rare. For a millennial, one in four is going to experience a disability over their lifetime, and need help during that period. They may not be permanently disabled, but they might be out of work for more than three months. A leading cause of that, is actually complications of pregnancy.
- J. Kalamarides: [00:22:29](#) I think this is another myth that people don't realize, is that complications to pregnancy is eligible, for these sort of employee benefits. There is a real opportunity for the employer, and for benefits to help provide an additional ring of security here. I'm sort of building the case for the importance of disability income insurance.
- J. Kalamarides: [00:22:58](#) 78% of employers offer it, or very few people actually sign up for it. There is a real opportunity to use automatic enrollment, that has been existing in the retirement space for this solution as well. To make sure people are covered, if they don't have adequate emergency savings.
- Jo Ann Barefoot: [00:23:21](#) There's a low take up, is-
- J. Kalamarides: [00:23:22](#) Emergency-
- Jo Ann Barefoot: [00:23:22](#) Go ahead.

J. Kalamarides: [00:23:25](#) Yeah, the load take up is, because it tends to be at the bottom of your annual enrollment process. People are not aware that they actually might need it, and the affordability of it when they go through the workplace. Having them automatically enroll and then opt out, is probably a really useful solution, that would create that social safety net for more people.

Jo Ann Barefoot: [00:23:52](#) I will also link that-

J. Kalamarides: [00:23:54](#) I-

Jo Ann Barefoot: [00:23:54](#) ... show now, to the episode that we had with my Harvard economics professor partner, when I was on my Harvard Fellowship, Bridget Adrian, who's done a tremendous amount of research on how to deal with these behavioral issues of people signing up.

Jo Ann Barefoot: [00:24:14](#) The key to it is, default to the better... say for a healthier option. Let people opt out instead of the other way around, like all of them.

J. Kalamarides: [00:24:22](#) Exactly, so right. Bridget's tremendous research there, has been applied to great success in the retirement industry. Since I've moved over to the group insurance industry, I said, "Oh, we can apply the same sort of a result here."

J. Kalamarides: [00:24:37](#) In fact, the Department of Labor in December acknowledged just that. That the Pension Protection Act applies to all of employee benefits, not just pension elements. Now, there're still state-by-state rules for it, but there is hope that we can start helping people across all employee benefits.

J. Kalamarides: [00:25:00](#) Ida mentioned another piece too. That besides just an insurance piece, there is the emergency savings. We've done some really neat work around, how do you use defaults around emergency savings in the workplace?

J. Kalamarides: [00:25:15](#) Most people think about, "Oh, I have to open up a separate savings account. I've got to remember to take money out of my paycheck. I should build \$500, and then three months' worth of expenses." We have a really neat new idea and solution, that's out in the marketplace. That is, allow people to use the after-tax portion of their 401(k) as an emergency savings buffer.

J. Kalamarides: [00:25:46](#) You can through just online, say how much money you want in that emergency savings buffer. Then your paycheck withdrawals, fill up that part of the buffer, until it gets up to the limit you want. Then the next paycheck spills over into your pretax 401(k).

J. Kalamarides: [00:26:04](#) If you have an emergency, you take it out of your after-tax portion, without penalty, without applying for a loan, without worrying about things. You do have to pay a 10% tax on any capital gains, but because it's already put in after-tax, you don't have to pay any additional. It's safe, it's secure.

J. Kalamarides: [00:26:28](#) Your next paycheck, once you take money out of it, fills back up that buffer until it gets back to the limit, and that spills back over into your 401(k). We think that this is a really neat way, for more people to get access to emergency savings, using all of that financial behavioral learning in the 401(k) market.

Jo Ann Barefoot: [00:26:50](#) Fascinating, [crosstalk 00:26:52] go ahead.

Ida Rademacher: [00:26:52](#) [crosstalk 00:26:52] go ahead.

Jo Ann Barefoot: [00:26:55](#) You go ahead.

Ida Rademacher: [00:26:56](#) Well, as some of that gets to, I think this... again, a place where Jo Ann, it would be great to hear from you as well because what Jamie's talking about, this kind of mash up of short and long-term savings. How that can be facilitated through the rails of the retirement system. It's a lot of innovative new work going on in that space.

Ida Rademacher: [00:27:19](#) One of the ways, I think that we tried to put this forward in our work on income volatility was, we put out a number of briefs or solution briefs. One of them was, just broadly hybrid products. I do think that this is an example of a kind of hybrid product, so is something that connects insurance or a credit with savings, or insurance with savings or credit.

Ida Rademacher: [00:27:43](#) There's like all sorts of different ways that we can think about, form following function and understanding income volatility. Means understanding, what are the solutions? How do they need to function in somebody's life?

Ida Rademacher: [00:27:58](#) What we're seeing is a lot of early attempts, to create things that the financial services industry would see as financial

hybrids. Of course, that ends up running flat straight into a whole bunch of different kinds of regulatory hiccups, right?

Ida Rademacher: [00:28:15](#) In terms of, these things aren't necessarily regulated by the same regulator, or at the same level of state and federal and things like that. There is really kind of, driving towards solutions for individuals, means that we're also needing to drive toward regulatory innovation at the same time, especially around this liquidity issue.

Ida Rademacher: [00:28:33](#) I think that emergency savings is a big piece of liquidity, so is the credit piece, and so is faster payments as a big piece. How do you give people the tools they need to manage their financial life?

Jo Ann Barefoot: [00:28:49](#) I couldn't agree more. Can you give examples maybe of the places, where the regulatory framework is in the way of something better for the consumer?

Ida Rademacher: [00:29:00](#) Yeah, and I'll ask Jamie to jump in on this. One of the other briefs we published was specifically looking at this idea, of trying to marry short term and long-term savings. In the UK, they call that sidecar savings. There is also an experiment going on, connecting retirement and emergency savings from NEST. NEST Insight is also a partner of Aspens.

Ida Rademacher: [00:29:23](#) We're trying to translate a lot of what they're doing in the UK, and their retirement schemes, into implications for US policy and market innovation. In the US... Jamie can talk a little bit about Prudential's solution.

Ida Rademacher: [00:29:39](#) One of the things that happens is, we can in terms of department... so Department of Labor under ERISA, regulates a lot of retirement savings options. You can in terms of policy there, automatically enroll people in retirement savings.

Ida Rademacher: [00:29:57](#) In terms of emergency savings, unless you're using the post-tax retirement vehicle that Jamie is talking about, you can't automatically enroll people because of KYC and other things in a regular savings account.

Ida Rademacher: [00:30:13](#) If a company, either a Prudential or a NEST or even an employer, wants to create parallel structure, they're actually dealing with a whole different set of regulations for retail finance, than we offer retirement finance. That's one like quick high-level overview.

Ida Rademacher: [00:30:33](#) Jamie could probably say more about that one. It's... similar issues happen if you try to look at insurance, which is often regulated at the state level, connecting that with credit or savings and things like that.

Jo Ann Barefoot: [00:30:44](#) Yeah.

J. Kalamarides: [00:30:45](#) I think you've nailed. One of the things we liked about this emergency savings within the 401(k) plan is, there's already an account open. All it does is, it's an administrative solution that walls off a portion of funds, in an after-tax component. Actually uses the regulation of after-tax savings within a 401(k), to the individual's advantage.

J. Kalamarides: [00:31:13](#) I've also been the CEO of a bank, and as for Prudential, and the Know-Your-Customer rules, the KYC rules are there to protect the consumer and to protect against fraud. That is, you have to know the consumer's name and address, and financial details and they're opening an account. They have to positively consent to that.

J. Kalamarides: [00:31:41](#) To get them to open up an emergency savings account automatically is, it applies in the face of the KYC rules. That means that regime has some natural barriers, that we would need to overcome, as opposed to as Ida said, allowing form to follow function.

J. Kalamarides: [00:32:04](#) When people are calling in to their 401(k) for loans, for emergencies, there's now a solution where they don't have to get penalized, by taking money out of their 401(k) and being taxed at high rates. Now, it's just as interesting as Ida mentioned, about the insurance elements.

J. Kalamarides: [00:32:25](#) If we're trying to use some of these automatic enrollments and hybrids on insurance, things are covered at the state level for insurance. It's interesting when the Department of Labor is starting to issuing rules, like they did in December saying, "Disability income insurance could be eligible for automatic enrollment."

J. Kalamarides: [00:32:44](#) We're really intrigued by that, and we'll keep exploring that. Jo Ann, if it's okay, we'll send you the link for a disability income white paper as well, that you might put in the show notes.

Jo Ann Barefoot: [00:32:57](#) Oh, that would be great. That would be great.

Ida Rademacher: [00:33:00](#) I'll just say one thing to keep an eye on this fall, Jamie, I'm excited that Prudential will have... you've got a number of employers now using this product, the side that your emergency savings-

J. Kalamarides: [00:33:13](#) Right.

Ida Rademacher: [00:33:13](#) ... kind of add on. NEST in the UK, is also in the market with their pilot. They've gone a different route. They've partnered with Salary Finance, for providing a typical savings account function. They've gone in a different direction. Both of these pilots, will have some early findings, and some early learning about how they're working and how take up this going.

Ida Rademacher: [00:33:41](#) We're excited to do an event in the fall, to just kind of take the pulse of how these things are doing. Again, I think we'll be able to really say more about, what is the constellation of products and alignment that work for our consumers? What can financial services firms do, both individually and in collaboration?

Ida Rademacher: [00:34:04](#) I think that some of that, as demand rises for these kinds of hybrid solutions, it's going to hopefully help us bring together some of their regulators. To understand the need and the urgency to look for ways to collaborate, streamline, leap forward in terms of how we address these issues. You-

Jo Ann Barefoot: [00:34:24](#) Yeah, the very word hybrid solutions is capturing that point we were on earlier, that you've got to get outside across the boundaries, if we're going to optimize the... go ahead, Jamie. What were you going to say?

J. Kalamarides: [00:34:38](#) Oh, I was going to say, I've got another example of a challenge. We've been talking about employees and employers, and the regulations surrounding them called ERISA and those benefits. There are a growing number of workers out there, who are sole proprietors, 1099 workers. The whole regulatory environment, wasn't constructed for them.

J. Kalamarides: [00:35:04](#) They are excluded, and can't participate in some of these group solutions. Some of the things that both Aspen and Prudential are thinking about, is how do you create benefits structures that are portable? That aren't dependent on the employer, but could be bought through associations or a group of employers together.

J. Kalamarides: [00:35:26](#) Or allowing employees and workers who are good workers, to participate in what the employer's work is. We think that, that is an area of continued further exploration, is how do we create associations of gig Workers?

J. Kalamarides: [00:35:45](#) How do we create purchasing of solutions, that individuals can get all the benefits of institutional purchasing power, all the consumer protections and all the automatic enrollment benefits, but not necessarily be dependent on an employer for them?

Jo Ann Barefoot: [00:36:07](#) Interesting. Ida, you said earlier that technology is both causing, and exacerbating some of these kinds of problems and also helping solve them. I'd like to hear more about both sides of that, if you've got other examples of the problems.

Jo Ann Barefoot: [00:36:25](#) Also, really interested in hearing your thoughts, on how we could do better through new technology. Are things becoming possible? I mean, actually that's what the show is usually about. Things are becoming possible-

Ida Rademacher: [00:36:38](#) Yeah.

Jo Ann Barefoot: [00:36:39](#) ... that were not possible before. Yeah, go ahead.

Ida Rademacher: [00:36:45](#) I mean, I think it's the right question all ways, right now to be thinking about that. One of the other things that Aspen has had the privilege of doing the last couple of years, is working with a set of nonprofits, who had started out as individual service providers in place.

Ida Rademacher: [00:37:05](#) Who really were grounded working with, what are the ways that they facilitate access to the financial services, that are most needed? Those groups that we've been working with, have now built out tech platforms and all of them have really gone national.

Ida Rademacher: [00:37:23](#) It's kind of formed a group called Nonprofit Leaders in Financial Technology. We put out a manifesto from this group last fall.

Jo Ann Barefoot: [00:37:32](#) Well done.

Ida Rademacher: [00:37:35](#) Yeah, so say that, by way of answering your question. Which is, part of the obvious, but maybe not explicitly stated always insight, is that the future of financial inclusion within tech,

depends on who's at the table to design it. When I think about this example of scheduling software, that was created to solve one half of the problem, who was at the table?

- Ida Rademacher: [00:38:01](#) The problem to solve for, was articulated by an employer with real market challenges and needs. Their workforce also, has challenges and needs, and their issues were not articulated at the same time. Now, the people who go to design the solution, can design to solve multiple problems, but not if those problems aren't articulated, raised, recognized.
- Ida Rademacher: [00:38:26](#) I would say another place where that's coming through pretty clearly now, is as we really understand more and more about AI, and the algorithms that shape access to credit and some of the kind of biases. There was just a recent NBER paper that just got... or I just read the summary of it last week.
- Ida Rademacher: [00:38:46](#) It's Sendhil Mullainathan's at Harvard and a coauthor. Looking at some of this, as I said, systemic bias that can unfortunately get baked in from the get go in algorithms. Unless there is complexity in those algorithms, to kind of recognize some things that we think about.
- Ida Rademacher: [00:39:06](#) Again, when you look at the diversity of who is designing tech solutions, we need to do better there. We need to do better at making sure that groups like the ones that are in enlist, are at the table helping to articulate the challenges that need to be solved. Those are just a couple of examples.
- Ida Rademacher: [00:39:25](#) I think retirement as well, is just a place where... to Jamie's point before, for better or worse employers have been the distribution channel, for some of the most key parts of the safety net and the financial security framework in this country.
- Ida Rademacher: [00:39:43](#) As work changes, as the fiduciary responsibilities of employers... if they impede competition and innovation, then is there a way that we can use technology to begin to shift the burden, not just to the individual, which is where a lot of the risk has been shifted.
- Ida Rademacher: [00:40:06](#) To different kinds of platforms, that can make sure that employers can do what they're best at and focus on what, is it that they're bringing to market for a customer? All of the different regulatory and financial wellness issues, and everything else can be done through third-party providers.

Ida Rademacher: [00:40:26](#) It doesn't matter what worker category you're in, but how do we solve those problems? I think there is a lot of innovation to be heard going forward. Part of it is, again, going back to some of Aspen's wheelhouse that.

Ida Rademacher: [00:40:36](#) I think increasingly, like you mentioned the Financial Health Network, who is sitting around the table talking to each other, as we define the challenges and think about the solutions?

Jo Ann Barefoot: [00:40:46](#) How would you-?

J. Kalamarides: [00:40:47](#) Just to piggyback on-

Jo Ann Barefoot: [00:40:47](#) Go ahead Jamie.

J. Kalamarides: [00:40:51](#) Go ahead... I was just going to say, just to piggyback on that, we're finding that Americans are asking us to meet them where they are. Some want us to come in-person and talk to them.

J. Kalamarides: [00:41:03](#) Which is sort of a traditional old school way, of providing just the basics of financial understanding, so that they can understand that the sort of issues and trade-offs that they're needing. Then others are realizing that they want a simple mobile tool, to help them with planning.

J. Kalamarides: [00:41:25](#) Setting goals and achieving goals, and then finding solutions to what their financial needs are. What we're finding is incredibly important, is linking those two in a hybrid model. Having the person that's there, helping them in-person be able to see through to the data, that they're using on their mobile device.

J. Kalamarides: [00:41:48](#) Then if they have a follow-up afterwards in, "How do I implement this plan? How do I go find that solution, to be able to talk to someone in real life?" In my view, the work that Ida and that the financial technology industry is doing, is so critical to advance the work.

J. Kalamarides: [00:42:09](#) We have to realize too that people want a combination of things. They don't want all one way or all another way. It's that interaction, and it's that hybrid model that we think is going to be a successful over the long-term.

Ida Rademacher: [00:42:24](#) Yeah, and Jamie, I wonder... and Jo Ann, I'd love your perspective on this too. I think that's another place where technology and just data, big Data can be helpful. I can

imagine... I think when I think about the future of financial security, it's certainly, there is no silver bullet. There is this bundle of services and benefits, that create security and stability.

- Ida Rademacher: [00:42:52](#) That bundle probably needs to look different, for different market segments. I think that through the work of thinking about the new ways, that we're trying to measure financial wellbeing and financial health.
- Ida Rademacher: [00:43:06](#) I think that there's just a whole frontier to start to identify, what's the potential bundle of old and new kinds of benefits, that really do deliver financial security and stability? Which I think are the bedrock for one, for a productive workforce.
- Ida Rademacher: [00:43:26](#) Two for mobility and a strong economy, and a strong democracy for that matter. I think there is a lot of excitement about how data can be used, to help inform the pipeline of innovation that's going to start to happen to address these needs.
- Jo Ann Barefoot: [00:43:43](#) One of the things that's happening thanks to technology, is that it is becoming more possible for financial services providers to be more inclusive. Both because they're able to reduce some of their cost, using things like mobile delivery channels and so on.
- Jo Ann Barefoot: [00:44:05](#) Also, because they can better assess risks in any situation, because we have more data. As you mentioned Ida, faster payments is an area that's going to reduce some of the risks, that both consumers and businesses have today. How would you characterize the industry at large?
- Jo Ann Barefoot: [00:44:28](#) I'm not just talking necessarily about insurance, we could focus on that. The learning curve for the industry itself, and looking at business opportunities in these markets that didn't use to be as attractive in the analog area, and as they are today.
- J. Kalamarides: [00:44:52](#) Yeah, I think that there is an increasingly... number of financial services providers, to that broad, broad market, who realize that an underserved market is not one that doesn't have needs. There is a barrier for that market getting its needs resolved. It might be regulatory, it might be access.
- J. Kalamarides: [00:45:17](#) It might be technology, it might be price point, it might be the particular solutions they need. Technology is certainly a huge enabler, to break down some of those barriers and turn an

underserved market, into a sustainable commercially-viable market. We and others, are absolutely starting to explore those.

- J. Kalamarides: [00:45:45](#) We hold a regular conference, where we invite not-for-profits spintechs, advocates and academics together, to specifically focus on a particular market. Both break down the underlying needs.
- J. Kalamarides: [00:46:05](#) Then do a mash-up of, how can we mix all these solutions to serve this underserved market more effectively, and really bring inclusion, really bring access and better solutions to those markets? That's turned into some really neat outcomes for individuals at the consumer level, but then also the beginnings of a brand new market, that we normally wouldn't have access to.
- Jo Ann Barefoot: [00:46:34](#) Yeah. Ida, how would you characterize this situation from your perspective, looking at the industry for a long time? Are you optimistic that there is a great deal of interest, in doing better to serve these markets with some new tools?
- Ida Rademacher: [00:46:55](#) It's a good question. It's the right question. I feel like we should ask it every year and assess of, where are we going? Look, what I'm really worried about at the moment is, we're in the best of times for innovation, to serve the needs of people at the margins right now. We have the tightest labor market in history.
- Ida Rademacher: [00:47:18](#) We have a lot of investment capital, venture capital. We have a growing corporate leadership understanding, that they have a role to play. Not just in shareholder value, but in what's the moral purpose of a firm? There is this great convergence happening right now.
- Ida Rademacher: [00:47:39](#) What I worry about, is that even in the best of times right now, in terms of the conditions that would lead people to say that inclusion, and focusing on meeting the financial needs of markets that are not traditionally mass-affluent profitable. We're in the best of times to serve that market right now. It still is not the norm.
- Ida Rademacher: [00:48:02](#) It is still not where most of capital is being invested. Now, there's the incredible, great examples of the kinds of ways that groups like PRU, are using social impact to do work here, flourish. We just spun out from admitting here, about core innovation. There're some funds that are really focused there, it's not the norm.

Ida Rademacher: [00:48:28](#) Then of course, right now because of a tight labor market, there is also employer demand to solve problems and to retain talent. We're not going to always be in this environment. In fact, we don't know when that's going to switch. My guess is sooner versus later, we're going to be back in a recession environment.

Ida Rademacher: [00:48:44](#) It's not going to be a market, where employers always will have to be competing for talent. When that goes away, I think this is part of why we really want to think about additional ways that we... we need to very much value the role of the employer, but also think about non-employer structures and also kind of the policy environment.

Ida Rademacher: [00:49:09](#) I guess like the final thing I'd say is that, we know that some of the kinds of things that people need, are not particularly... there's not lots of good business models, for how do you make money? It's one of those things. Small dollar savings is an incredibly important need for households.

Ida Rademacher: [00:49:29](#) It's not, and never has been a particularly profitable product to be on offer. I think for me, there's this also this goal that we have over time of... I think this is another great thing. When innovation in the private market space doesn't work, and we're clear that part of that is because there is not a viable business model.

Ida Rademacher: [00:49:55](#) For me, that's a giant bellwether for where the social policy need to be going. Where is subsidy required, to create an inclusive financial system and where isn't it? I feel like the places where we need to be talking right now, are about really getting a much more granular view of that.

Ida Rademacher: [00:50:12](#) If full financial citizenship requires certain kinds of access to products and services, but we can't figure out how to get the private sector to provide those at scale, then that tells me we need to be having a new conversation about the future of policy and subsidy, as well as what the private sector can do.

Jo Ann Barefoot: [00:50:35](#) I know we are starting to run short on time, that was such an interesting perspective. What advice do both of you have for policy makers, regulators, and also for the industry going forward?

Ida Rademacher: [00:50:58](#) Well, I'll start.

J. Kalamarides: [00:50:59](#) [crosstalk 00:50:59].

Ida Rademacher: [00:50:59](#) Yeah, I'll start with that. I mean, I think there is an extraordinary amount of innovation happening, at the state local government levels right now. There is a lot of new interests at the federal level too.

Ida Rademacher: [00:51:14](#) It's a wonderful time for regulators, and elected officials who are... look, they're facing real challenges when they look down the road, at the cost of providing services to a financially insecure and aging workforce or citizenship.

Ida Rademacher: [00:51:34](#) There's real opportunity for public-private partnerships in solutions, in ways that I don't I think... I think it's a real or a high-mark opportunity right now. When I look at for example, states who are taking the lead with creating universal retirement savings options, using this automatic enrollment feature that Bridget Adrian and others have really pioneered.

Ida Rademacher: [00:52:00](#) Those aren't just public sector, right? They've named it. They've created the regulatory framework, but private companies are the ones creating the products, and administering within that new regulatory framework. Great examples of public-private innovation there.

Ida Rademacher: [00:52:18](#) I think not just for retirement, but also for the emergency savings conversations, that we've been talking about today. Insurance, there's ways that certain things that were social insurance, and certain things that were happening in the private insurance market, will become blurred and changing over time.

Ida Rademacher: [00:52:37](#) We know a lot of what we just produced a report about, was looking at... we looked at hardship funds and employers. Just this whole issue that's coming up with basic income, around just cash transfers.

Ida Rademacher: [00:52:50](#) What are the ways that the benefit of the future, needs to be agnostic, just-in-time cash for a household? That is needed, if they don't have the right amount of savings buffer. I think there is a lot of innovation space, and a lot of interest in learning both on the government side and in the financial innovation side of things.

Ida Rademacher: [00:53:11](#) I think for Aspen, we'd love to be doing even more, to bring those groups together around specific challenges, and partner with whoever wants to raise their hands up to join us.

Jo Ann Barefoot: [00:53:23](#) Fantastic.

J. Kalamarides: [00:53:25](#) I agree with those and I'd suggest a couple of lessons. First, that the workplace, whether or not it's a W2 full-time employee or a 1099 worker, it's the most efficient way to enable these sorts of solutions. If the individuals participating and contributing to it... you can do it automatically through their paycheck.

J. Kalamarides: [00:53:57](#) You can use the benefits of automatic enrollment, automatic escalation, default choices and opt-outs, and all those lessons that we've seen on the retirement side. I want to reinforce what Ida described.

J. Kalamarides: [00:54:11](#) That is, the really neat experimentation that's happening at the state level, when states and legislators and regulators, think about that they've got to create a mandate. I think it's been really useful to have a private option, that allows people to opt out of the public option.

J. Kalamarides: [00:54:36](#) That creates more buy-in, and it still creates the outcome that the legislators are looking for, coverage and solutions. Then I have two more. That is, we can't forget about the sole proprietor and the gig worker in these solutions. We can't be constrained by the past regulatory frameworks.

J. Kalamarides: [00:54:57](#) We have to start including everybody in the process. An example of all three of these things are paid family leave. How do we get more people access to paid family leave? Allow for the existence of private options, because turns out 48% of workers are already covered by paid family leave, within their own employer.

J. Kalamarides: [00:55:21](#) How do we give access to everybody else, and still allow private options and allow automatic enrollment? Then finally, sort of a theme Jo Ann of your podcast, is how do we use digital capital and consumer experiences and digital, to really make this much cheaper, much easier to deliver, greater access to more and more people and to those untapped markets?

J. Kalamarides: [00:55:48](#) I think if we cover... that's a long list, but those are the lessons that I try to bring every time I talk to regulators, or people thinking about public policy.

Jo Ann Barefoot: [00:55:59](#) It's a great list. I think this show is going to be extra substantive in the show notes, that you've given me a whole bunch of more ideas, and things that were going to put there as resources. One of them are the papers that were written by my friend Todd Baker, when he was a senior fellow at Harvard.

Jo Ann Barefoot: [00:56:21](#) On the point that you were making Jamie, about the efficiency and effectiveness and attacking a lot of these problems through the workplace, through the employer, as a way of getting more leverage on them. I'll mention two. I am issuing a series of papers, on my Harvard research.

Jo Ann Barefoot: [00:56:43](#) The first one that I put out, which I'll also link to... talks about the point that you were on, a half hour-ago about the difficulty of the know-your-customer rules, standing in the way of easy sign up for a lot of these problems. That's actually an issue that was pointed out to me by Bridget Adrian.

Jo Ann Barefoot: [00:57:05](#) It says this, the labor market and the financial market, is shifting out from under the regulatory framework. It's not easy to keep the regulatory, the rules or the frameworks up with it.

Jo Ann Barefoot: [00:57:23](#) I mean, I think it's one of the most important things we have to do, is figure out how to make the regulatory pieces of this able to, both deal with the emerging risks and optimize the opportunities that are coming up. Any last words?

J. Kalamarides: [00:57:44](#) Just thank you. This has been really enjoyable.

Ida Rademacher: [00:57:47](#) Yeah, I am... yeah, thank you.

Jo Ann Barefoot: [00:57:49](#) Go ahead Ida. What were you going to say?

Ida Rademacher: [00:57:51](#) Likewise, lots of food for thought for us as well, and your paper Jo Ann... and I'm looking forward to the next one to come out. Or the first thing to tee up in my Google alerts, because they've been very helpful framing pieces.

Jo Ann Barefoot: [00:58:05](#) Oh, good, so [crosstalk 00:58:05] to say that. Yeah, next year we're going to be on solutions.

Ida Rademacher: [00:58:06](#) Yeah, I really-

Jo Ann Barefoot: [00:58:08](#) Go ahead.

Ida Rademacher: [00:58:09](#) Good, that's great. I just think... yeah, love the framework of regulatory innovation across these issues. I tend to say that the last time we really did an overhaul of regulations around labor and financing, some of the ways that are directly to consumers, was the avocado appliances and shag carpet were all the rage.

Ida Rademacher: [00:58:32](#) When you think about ERISA, when you think about what we know about the wages and hours laws, and also the Community Reinvestment Act, it's actually thinking about these things together when we think about what workers and consumers really need.

Ida Rademacher: [00:58:47](#) I look forward to those conversations going forward. This has just been an absolute joy to have the conversation with you and Jamie today.

Jo Ann Barefoot: [00:58:54](#) Well, likewise to you. Tell me how people can get more information from both of your organizations, right? Where do they go?

Ida Rademacher: [00:59:04](#) At Aspen, [aspenfsp.org](#) is the website. We're also [inaudible 00:59:11] Twitter, @AspenFSP. We have a mailing list and a regular way of staying engaged. Those are all of our connection points. I'm on Twitter @idarademacher, and Jamie.

J. Kalamarides: [00:59:29](#) Yes, and I'm on Twitter @kalamarides K-A-L-A-M-A-R-I-D-E-S. You could find Prudential @wwwprudential.com. There're probably two areas that people want to look for in particular, the first is research. Which provides access to a lot of the white papers, and the thinking that we've been doing.

J. Kalamarides: [00:59:51](#) Then if you have more of a consumer angle, look for the link L-I-N-K, which gives some of that online advice and counseling to individuals and families, so that they can both plan goals and find solutions.

Jo Ann Barefoot: [01:00:07](#) Fantastic, and we should say that we're recording this in late May. Coming up in June, is the Aspen Ideas Conference. I'm not sure if we're going to have this posted before that, with enough leeway for people to join. I know it's one of the leading

opportunities anywhere, to get people together and really think about how to solve the toughest problems that we have.

Jo Ann Barefoot: [01:00:35](#) I know you're both speaking there this year as well. I cannot thank you enough Ida Rademacher and Jamie Kalamarides. Thank you for being our guests today at Barefoot Innovation.

Ida Rademacher: [01:00:48](#) Thanks.

J. Kalamarides: [01:00:49](#) My pleasure.

Ida Rademacher: [01:00:50](#) Pleasure.